

FISCAL NOTE
SB 438 - HB 452

February 12, 2005

SUMMARY OF BILL: Exempts the retail sale of milk and liquid milk products from state and local option sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$16,800,000

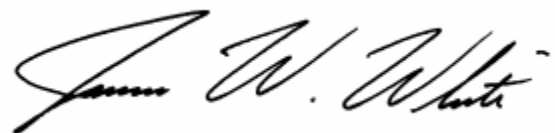
Decrease Local Govt. Revenues - \$7,313,000

Assumptions:

- Annual sales tax revenue generated from food is approximately \$420.0 million for state and \$165.0 million for local governments.
- The Bureau of Labor Statistics estimates that 4% of all household expenditures are for the purchase of milk or cream.
- Estimated decrease in state revenue is approximately \$16.8 million (\$420.0 million X 4% = \$16.8 million).
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$16.8 million reduces local government revenue by \$713,362 (\$16.8 million X 4.2462% = \$713,362) from reduced allocation of state sales taxes to local governments.
- Exempting food sales from the local option sales tax reduces local government revenues approximately \$6.6 million (\$165.0 million X 4% = \$6.6 million).
- The Streamlined Sales Tax Agreement, to begin on July 1, 2005, allows a state to levy a special tax rate on food. This bill would change the tax rate on one article of food but leave the rest taxed at 6%. Such a change would take Tennessee out of compliance with the Streamlined Sales Tax Agreement.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director